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An Explanation of the
President's Proposal

FOR

*Older
People*

A large, light-colored, serrated circular shape, resembling a sunburst or a gear, is centered on the cover. It contains the text 'Hospital Insurance'.

**Hospital
Insurance**

THROUGH

Social Security

/

*"We urgently need this
legislation--and we need it now."*

JOHN F. KENNEDY

HISTORY

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467

963

BACK

There are now about 17.5 million. Their numbers continue to increase protection against serious illness.

This is their problem: Older people have only *half* those of younger people. At the same time, they have *about 2½ times* that of people under 65.

Fact: Nearly half the aged \$2500 a year; almost have incomes of less t

Fact: About 14 million people in the world do not have to pay for their health care.

Fact: Only about half of the population has health insurance, and even fewer are adequately protected with respect to

Fact: The greatest single health problem for older people is the high incidence of chronic diseases. People who reach 65 will need more medical attention than ever before, and two out of every three people over 65 can expect to have at least 2 hospitalizations and 4 trips to the hospital.

Fact: When an older person is unable to remain there, on the average, it costs \$10,000 more to care for a younger person.

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accompanying old age, disability, or death in the family.

Hospital insurance for the aged through social security, unlike public assistance, would not be based on a means test. On the contrary, its central purpose is to provide insurance protection in old age as a right earned and established during the productive years.

Social security hospital insurance would be provided to all people over 65 who are entitled to social security or railroad retirement benefits. In addition, all people now over 65 as well as those becoming 65 in the next few years who do not or will not qualify for social security benefits would be eligible for the hospital benefits.

The proposed program would provide the following benefits for each spell of illness:

1. Payment of hospital bills. Each person would have a choice of 3 plans —
 - 90 days of hospitalization at a cost to the patient of \$10 a day for the first 9 days, with a minimum of \$20, (or)
 - 45 days of hospital care at no cost to the patient, (or)
 - 180 days of hospital care, with the patient paying either the national average cost for 2½ days or the hospital's customary total charge for the care provided, whichever is less.

The national average cost of 2½ days of hospital care for the first two years of the program (1965–66) has been established as \$92.50.

2. Payment of up to 180 days of skilled nursing home care following discharge from a hospital.

BACKGROUND

There are now about 17.5 million people in this country who are 65 or older. Their numbers continue to increase. Most of them have little or no financial protection against serious illness.

This is their problem: Older people, on the average have incomes about *half those of younger people*. At the same time, their need for medical care is *about 2½ times that of people under 65*.

Fact: Nearly half the aged couples have incomes of less than \$2500 a year; almost half the aged persons living alone have incomes of less than \$1000.

Fact: About 14 million people 65 and over have incomes so low they do not have to pay Federal income taxes.

Fact: Only about half of the aged population have any sort of health insurance, and much of what they have is inadequate with respect to both coverage and benefits.

Fact: The greatest single threat to the economic security of older people is the high cost of illness. Nine out of 10 who reach 65 will need to go to the hospital at least once--and two out of every three will need hospital care more than once--during their remaining years. Half of the couples over 65 can expect that both the husband and wife will have at least 2 hospital stays. This means at least 4 trips to the hospital for half of the aged couples.

Fact: When an older person goes to the hospital, he will need to remain there, on the average, about twice as long as a younger person.

This is the Problem --

Most older people will inevitably need medical care, and this will cost them more than they can afford. As a result, illness forces many of them into poverty—a poverty from which there is no escape. Social security benefits and pensions help meet their needs for food, clothing, shelter, and the necessities. But medical bills of \$1000, \$2000, or up—which so many aged persons must face sooner or later—cannot be met from their limited incomes.

The cost of medical care for prolonged illness can wipe out the life savings of an aged couple of moderate means and can often result in a major financial drain on their children, who usually have families of their own to bring up.

The problem cannot be solved by private insurance alone. The very medical risks older people face make the cost of adequate private insurance prohibitive for the majority.

Nor is economic tragedy resulting from serious illness prevented by public assistance. Public assistance only helps aged people after they become indigent; it does not prevent them from becoming dependent.

PROPOSAL

The President has proposed to Congress the Hospital Insurance Act of 1963, a program to insure older people against the high costs of hospital care and related health services. The program would make it possible for people to build insurance protection in their working years against the high cost of illness in their old age—just as they now build social security protection for themselves and their families against the loss of earnings

accompanying old age, disability, or death in the family.

Hospital insurance for the aged through social security, unlike public assistance, would not be based on a means test. On the contrary, its central purpose is to provide insurance protection in old age as a right earned and established during the productive years.

Social security hospital insurance would be provided to all people over 65 who are entitled to social security or railroad retirement benefits. In addition, all people now over 65 as well as those becoming 65 in the next few years who do not or will not qualify for social security benefits would be eligible for the hospital benefits.

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 - 180 days of hospital care, with the patient paying either the national average cost for 2½ days or the hospital's customary total charge for the care provided, whichever is less.
2. Payment of up to 180 days of skilled nursing home care following discharge from a hospital.

3. Payment of all costs above the first \$20 for out-patient hospital diagnostic services furnished within a 30-day period.
4. Payment of all costs for up to 240 visits a year by visiting nurses and other health workers in the patient's own home.

Benefit payments would cover the cost of all services in semiprivate accommodations, drugs, and supplies customarily furnished for the care of patients in a hospital or skilled nursing facility. No payment would be made for the services of personal physicians and private-duty nurses, or luxury items furnished at the request of the patient.

Hospital insurance through social security would be financed by an increase of $\frac{1}{4}$ of 1 percent in social security contributions for both employees and employers (0.4 of 1 percent for self-employed persons) and an increase in the taxable earnings base from \$4800 to \$5200. Part of the income from the increase in the earnings base will go for higher cash benefits for those earning over \$4800 a year. The cost of the hospital insurance program to the average worker would be about 25 cents a week.

The cost of hospital insurance provided older people not eligible for social security or railroad retirement benefits would be met from the general revenues of the Federal Government. The hospital insurance program and the additional social security contributions would both go into effect January 1, 1965.

What Hospital Insurance for the Aged Through Social Security Is

It is social insurance to help the American people meet the most expensive

health-care costs they will face in retirement. It is protection built up on a pay-as-you-earn basis—half the cost being met by small payments by the worker when he can best afford it, during his working years and the rest being met by employer contributions. It means protection when people need it most and can least afford it—after the working years are over.

Social security hospital insurance would not be difficult to administer. People over 65 would be given cards much like the cards now provided hospitalization insurance subscribers. And these cards would entitle them to all the benefits of the program. Neither they nor their families would have to prove poverty in order to enter a hospital or nursing home or receive home health care.

Hospitals, skilled nursing facilities, and community health service organizations would bill social security for the reasonable cost of the services they furnished. There would be little difference between the procedures under the proposed program and those already set up and accepted by hospitals in connection with Blue Cross programs.

Every hospital which is accredited by the Joint Commission on Accreditation of Hospitals (a non-Government, professional organization) would automatically be able to participate, provided only that it had an arrangement for reviewing the utilization of its services and facilities.

Appropriate State agencies would play an important role in determining which non-accredited hospitals and which skilled nursing facilities would be eligible to participate. These State agencies would also provide consultative services to those institutions to help them qualify.

What Hospital Insurance for the Aged Through Social Security Is Not

It is not socialized medicine. Nor would it lead to socialized medicine. It is simply a program designed to help older people pay hospital and related health-care bills. The Government would not choose the patient's doctor—he would make his own choice of doctor, just as now. The Government would not choose the hospital the older patient used—that would be up to the patient and his doctor, just as now. The Government would neither own nor operate the hospitals.

Doctors would not be employees of the Government—they would continue to practice medicine, just as they do now. The only difference would be that neither the doctor nor the patient would have to worry about how the hospital and nursing-home bills were to be paid.

In short, social security hospital insurance would not provide health services. It would simply help pay for them.

* * * * *

The proposed hospital insurance through social security—reinforced by private savings and private health insurance and supplemented where necessary by medical care through public assistance—would become the first line of defense against the high cost of illness in old age.

U.S. DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
WASHINGTON 25, D.C.
March 1963

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